



INDUSTRY CIRCULAR

DEPARTMENT OF
THE TREASURY

Bureau of Alcohol, Tobacco and Firearms

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REVENUE PROCEDURE 72-32 WINE SPIRITS ADDITIONS

Proprietors of bonded wine cellars
and others concerned:

This circular is to inform you of Revenue Procedure 72-32 which was published in Internal Revenue Bulletin No. 1972-25, dated June 19, 1972. The revenue procedure as printed in the Bulletin is reproduced below:

26 CFR 601.301 Imposition of taxes, qualification requirements, and regulations.
(Also Part III-A, Sections 5366, 5373; 240.374, 240.835, 240.1043.)

Proprietors of bonded wine cellars may file an application with their Assistant Regional Commissioner (Alcohol, Tobacco and Firearms) to receive and use wine spirits and distillates containing aldehydes without Government supervision.

Rev. Proc. 72-32

SECTION 1. PURPOSE.

The purpose of this Revenue Procedure is to announce acceptable procedures for (a) conducting wine spirits additions; and (b) withdrawing distillates containing aldehydes for use in the fermentation of wine which is to be used as distilling material, without Government supervision.

SEC. 2. BACKGROUND.

During the past three years several bonded wine cellars participated in experimental or pilot operations which authorized the receipt and use of wine spirits and distillates containing aldehydes at any time without Government supervision. Participants and the Government both realized benefits from the experience. Specific benefits included flexibility in scheduling plant activities and use of personnel. All required records and reports were prepared, maintained and submitted in the usual manner. Government supervision was waived by the Assistant Regional Commissioner, Alcohol, Tobacco and Firearms, under the provisions of 26 CFR 240.835. Each participant was required to submit an application to the Assistant Regional Commissioner requesting a waiver of supervision and specifying the procedure or procedures to be used.

SEC. 3. ACCEPTABLE PROCEDURES.

.01 Closed System—Wine Spirits Additions: (Wine and wine spirits are controlled by Government locks or cap seals; however, wine spirits can be pumped into designated wine spirits addition tanks at any time without the presence of an assigned officer. Proprietor is held accountable for wine spirits gauged and released for use.)

(a) Assigned Officer—

(1) Locks closed spirits line inlet control valves on designated production or storage tanks containing wine spirits to be gauged for use in wine spirits additions.

(2) Verifies proprietor's gauges of wine spirits contained in the designated production or storage tanks.

(3) Locks and unlocks spirits line control valves to direct the flow of wine spirits to designated wine spirits addition tanks to be used.

(4) Locks or cap seals closed all manholes, valves and other fixtures on the designated wine spirits addition tanks except for the wine spirits and wine inlet control valves. (See (6) below).

(5) Removes Government locks from wine spirits outlet control valves on the production or storage tanks containing wine spirits previously gauged for use.

(6) Requests removal of proprietor's locks and reapplies Government locks on wine spirits outlet control valves on completion of wine spirits additions, verifies gauges of wine spirits remaining in the previously gauged production or storage tanks, if any, determines the quantity of wine spirits withdrawn and used, unlocks wine spirits inlet control valves previously locked closed, and removes the Gov-

ernment locks or cap seals previously applied to the wine spirits addition tanks. A small opening or petcock is permitted for withdrawing wine samples before and after addition of wine spirits. Such openings or petcocks shall be secured by the proprietor's locks.

(b) Proprietor—

(1) Gauges wine spirits in designated production or storage tanks.

(2) Assists Government officer, as required, in locking and unlocking spirits control valves and locking or cap sealing manholes, control valves and other fixtures on the designated wine spirits addition tanks to be used.

(3) Applies company locks on spirits outlet control valves on the production or storage tanks containing wine spirits previously gauged for use.

(4) Makes wine spirits additions when desired, including nights, Saturdays and Sundays.

(5) Prepares, maintains and submits all required records and reports on a current basis.

.02 Open System—Wine Spirits Additions: (Wine spirits are controlled by proprietor's locks and wine and wine spirits can be pumped into or out of wine spirits addition tanks at any time without the presence of an assigned officer. Proprietor is held accountable for wine spirits gauged and released for use.)

(a) Assigned Officer—

(1) Locks closed spirits line inlet control valves on designated production or storage tanks containing wine spirits to be gauged for use in wine spirits additions.

(2) Verifies proprietor's gauges of wine spirits contained in designated production or storage tanks.

(3) Locks and unlocks spirits line control valves to direct the flow of wine spirits to designated wine spirits addition tanks to be used.

(4) Removes Government locks from wine spirits outlet control valves on the production or storage tanks containing wine spirits previously gauged for use.

(5) Requests removal of proprietor's locks and reapplies Government locks on wine spirits outlet control valves when all gauged and released wine spirits desired by the proprietor have been withdrawn for wine spirits additions or when all wine spirits additions have been completed, verifies proprietor's gauges of wine spirits withdrawn and used and unlocks spirits inlet control valves previously locked closed.

(b) Proprietor—

(1) Gauges wine spirits in designated production or storage tanks.

(2) Assists Government officer, as required, in locking and unlocking spirits control valves.

(3) Applies company locks on spirits outlet control valves on the production or storage tanks containing wine spirits which have been gauged.

(4) Makes wine spirits additions when desired, including nights, Saturdays and Sundays.

(5) Prepares, maintains and submits all required records and reports on a current basis.

(6) Removes company locks from wine spirits outlet valves when requested by the Government officer.

.03 Open System—Distillates Containing Aldehydes: (Distillates are controlled by proprietor's locks and they can be pumped into fermenting tanks at anytime without the presence of an assigned officer. Proprietor is held accountable for distillates gauged and released for use.)

(a) Assigned Officer—

(1) Locks closed spirits inlet control valve on distillate tanks containing distillates to be gauged for use.

(2) Verifies proprietor's gauges of distillates containing aldehydes contained in designated tanks in the distilled spirits plant production facility.

(3) Permits the proprietor to remove a sample of the gauged distillates for analysis.

(4) If the proprietor's analysis shows the aldehyde content to be not less than 1/10th of 1%, locks and unlocks spirits control valves to direct the flow of distillates to the designated fermenting tanks in the bonded winery. (If the aldehyde content is less than 1/10th of 1%, the distillates are not to be released for use under this system.)

(5) Removes Government locks from spirits outlet control valves on the distillate tanks containing distillates previously gauged for use.

(6) Reapplies Government locks to spirits outlet control valves on the distillate tanks when all distillates have been withdrawn by the proprietor; and unlocks open spirits inlet control valves on distillate tanks.

(b) Proprietor—

(1) Gauges distillates in designated tanks in the distilled spirits plant production facility.

(2) Assists Assigned Officer, as required, in locking and unlocking spirits control valves, and in securing a sample of the distillate.

(3) Analyzes the distillate sample in the presence of the assigned officer and advises him of the aldehyde content expressed in percent and ppm.

(4) If the analysis shows the distillate to contain not less than 1/10th of 1% of aldehydes, applies company lock on the spirits outlet control valves on the distillate tanks which were previously gauged.

(5) Prepares, maintains and submits all required records and reports on a current basis.

(6) Removes released distillates to fermenters when desired, including nights, Saturdays and Sundays.

(7) Removes company locks from spirits outlet control valves when requested by Government officer.

SEC. 4. CONDITIONS.

.01 All wine spirits and distillates containing aldehydes shall be conveyed by fixed pipelines to wine spirits addition or fermenting tanks, as appropriate. Flexible, metal-sheathed hoses no longer than four feet may be connected to scale tanks where scale tanks are used to weigh quantities of spirits to be used in wine spirits additions.

.02 Proprietors shall have on file with the Assistant Regional Commissioner an approved bond on Form 2601, Distilled Spirits Bond (combined or blanket), in an adequate penal sum.

.03 Plant premises, construction and equipment shall be so arranged to afford security and protection to the revenue and to not hinder the effective administration of the applicable regulations.

.04 Records and required reports shall be prepared, maintained and submitted without delay in accordance with applicable sections of 26 CFR Parts 240 and 201.

SEC. 5. RESPONSIBILITIES OF PROPRIETORS.

Proprietors of bonded wine cellars who want to receive and use wine spirits or distillates containing aldehydes, or both, without Government supervision, shall file an application, in triplicate, with their Assistant Regional Commissioner, Alcohol, Tobacco, and Firearms. The application shall specify (a) the procedures (not restricted to those in Sec. 3. above as other new procedures may be developed which are more adaptable to specific plants and afford equal security to the spirits) to be used; and (b) that the application is submitted for a waiver of supervision under the provisions of 26 CFR 240.835. Since these applications are approved at the discretion of the assistant regional commissioner, he may require additional safeguards or other information he considers necessary to assure security and protection to the revenue.

SEC. 6. INQUIRIES.

Any inquiries concerning this Revenue Procedure should refer to its number and be addressed to the appropriate Assistant Regional Commissioner, Alcohol, Tobacco and Firearms.

Inquiries regarding this circular should refer to its number and be addressed to your Regional Director, Bureau of Alcohol, Tobacco and Firearms.

Rex D. Davis

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